Government of Saskatchewan

Saskatchewan Heritage Fund

Annual Report 1982-83

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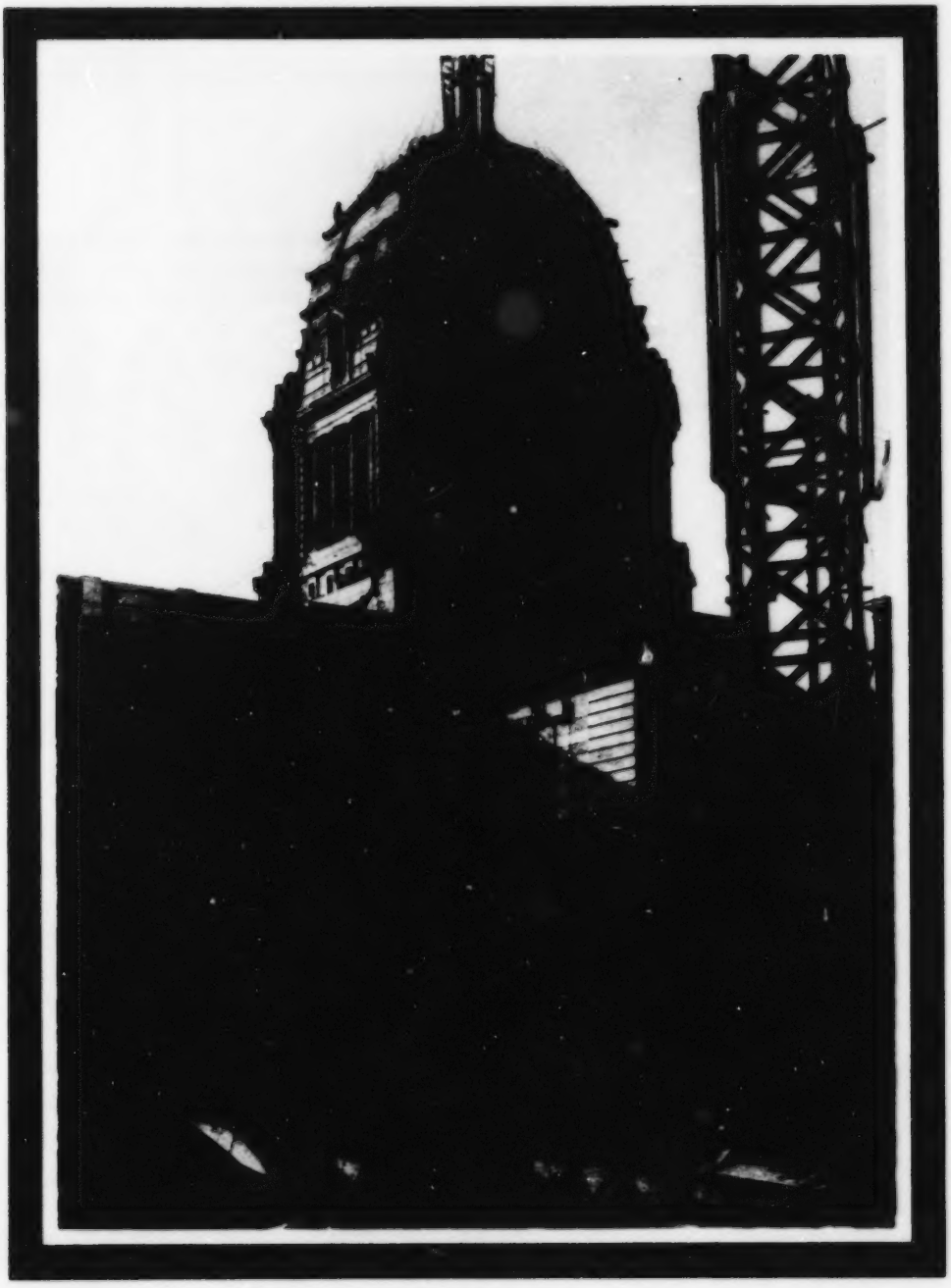


April, 1984

To His Honour,
The Honourable F. W. Johnson,
Lieutenant Governor of the Province of Saskatchewan

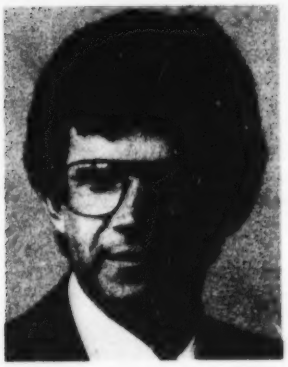
Sir:

I have the honour to submit herewith the fifth Annual Report and Financial Statements of the Saskatchewan Heritage Fund, for the year ended March 31, 1983.

Respectfully yours,

Bob Andrew
Minister of Finance

Report From the Minister of Finance



The financial performance of the Saskatchewan Heritage Fund during 1982-83 reflected very much the economic circumstances of that period. While there were encouraging signs with respect to non-renewable resource revenues, the effects of the world-wide recession were still evident.

In 1982-83 non-renewable resource revenues grew 2.3 per cent to $775.8 million up from $758.7 million in 1981-82. This increase reversed a revenue decline in the previous year. Significant improvements were realized in the revenues from oil and the Crude Oil Export Charge. In 1982-83, oil revenues grew 31 per cent to $482.9 million. The Crude Oil Export Charge returned 32.6 per cent more to the province to a level of $217.4 million.

Against these revenue increases, there was a sharp and dramatic reduction in potash revenues. In 1982-83, potash revenues were $36.9 million, down 80.1 per cent from the 1981-82 level of $185 million.

Heritage Fund expenditures grew 10 per cent, from $701.7 million in 1981-82 to $771.7 million in 1982-83. The majority of these expenditures were used to finance current government programs. The Heritage Fund's Dividend to the Consolidated Fund amounted to $675 million in 1982-83.

Overall, the assets of the Heritage Fund grew to $1.2 billion in 1982-83, compared to $1.13 billion at the end of 1981-82.

During the past year the government evaluated possible changes to the Heritage Fund. We are on record as being in disagreement with the previous government's policy of investing Heritage Fund revenues in the expansion of Crown corporations. In our review of the Fund, we looked for ways to increase the accessibility of Saskatchewan residents to the Heritage Fund, especially during tough economic times. As well, we considered ways by which the assets of the Fund could be invested and redirected to pay longer-term economic dividends to the province.

Our review of the Saskatchewan Heritage Fund resulted in three major changes which are effective for the 1983-84 fiscal year. First, an Agricultural Division has been created in the Fund. This new Division will be used to finance the Farm Purchase Program. In the future, new initiatives in agriculture may be possible through the Division.

Secondly, a new Research and Development Division has been instituted to fund pioneering efforts in scientific and technological advancement.

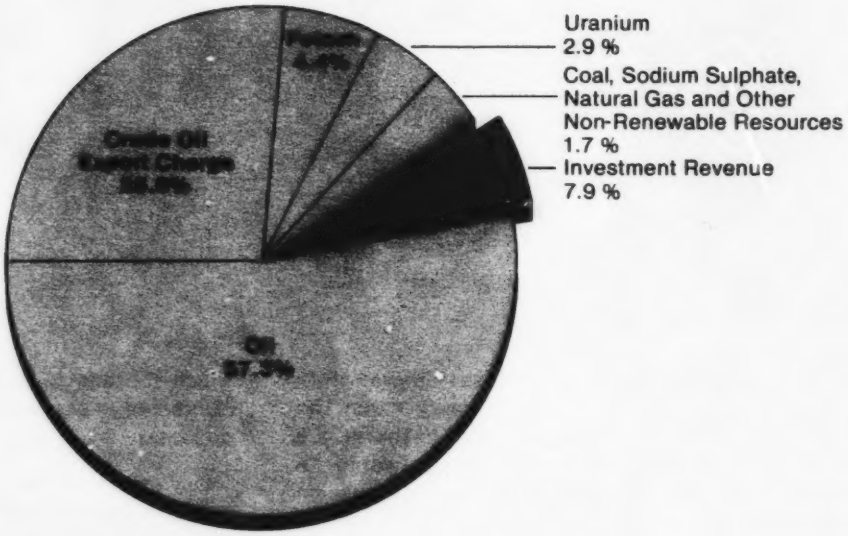
Thirdly, the so called "80 per cent — 20 per cent" rules have been eliminated. These rules set a ceiling on the size of the dividend that could be transferred from the Heritage Fund to the Consolidated Fund in any one year. While savings is a desirable goal, the effect of the rules was to force a somewhat artificial accumulation of assets in the Heritage Fund, even when the Province was not in an overall annual surplus position. The elimination of the rules will not prevent, and it is not the government's intention to ignore, the opportunity for savings to take place in the Heritage Fund when it makes sense to do so.

These three changes: the creation of the Agricultural Division, the Research and Development Division and the elimination of the "80 per cent — 20 per cent" rules, will make the Fund more meaningful to Saskatchewan taxpayers, and will help to redirect the economy for the benefit of future generations.

Bob Andrew
Minister of Finance

Financial Highlights 1982-83

Budgetary Revenue

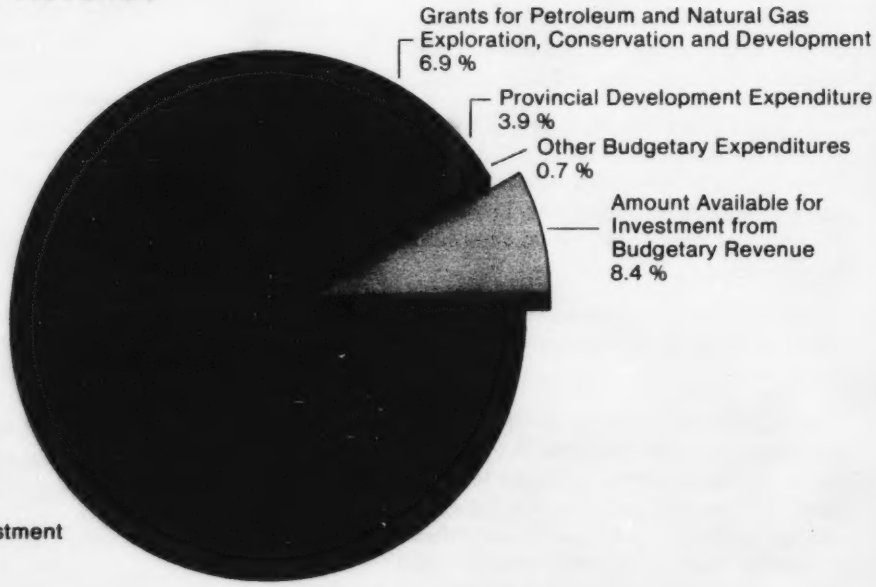


Investment Revenue

Non-Renewable Resource Revenue

Total Budgetary Revenue.....$842.3 million

Application of Budgetary Revenue

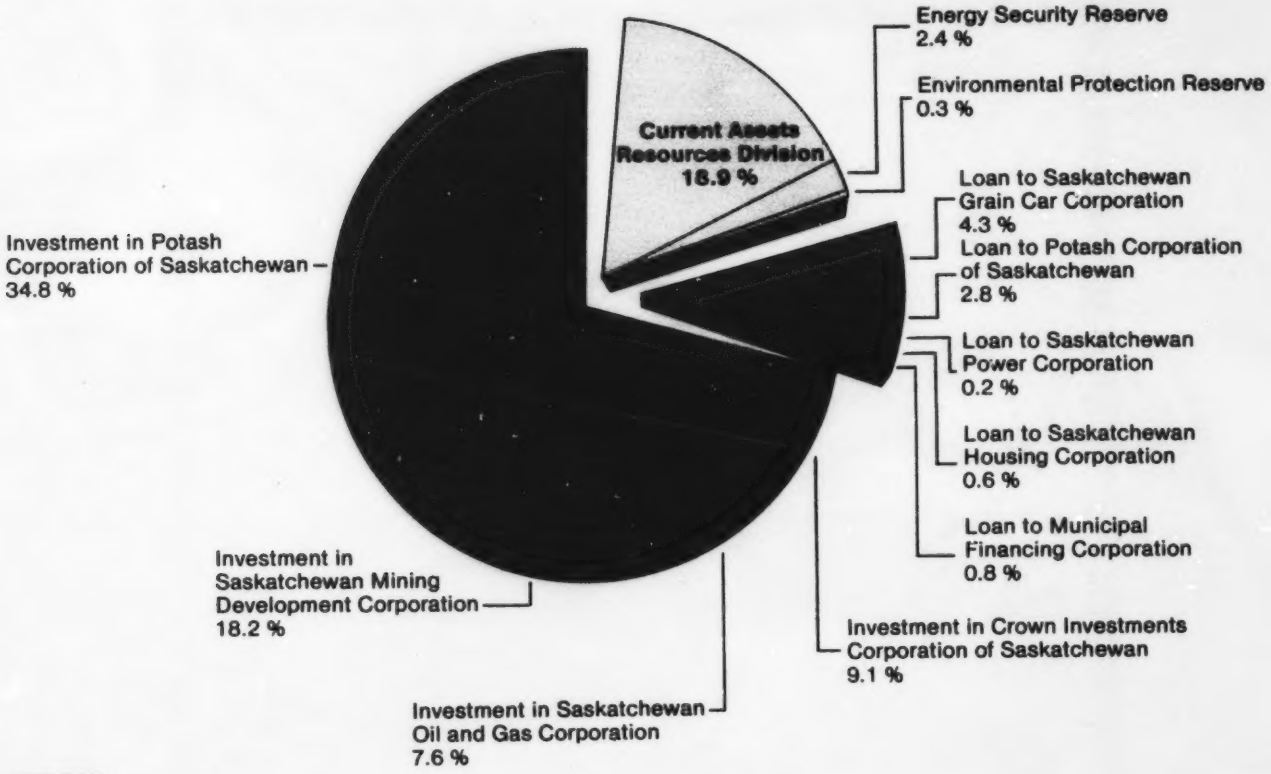


Budgetary Expenditure

Amount Available for Investment from Budgetary Revenue

Total Budgetary Revenue.....$842.3 million

Composition of Assets, at March 31, 1983



Total Assets ..... **$1,204.2 million**

Introduction

Introduction

Historical Overview

The Heritage Fund was established in April 1978, by combining the assets of the Energy and Resource Development Fund, and the Special Investment Account of the Consolidated Fund.

The Heritage Fund was created to provide a financial mechanism through which all non-renewable resource revenues could be collected and accounted for.

Purpose

The objectives of the Heritage Fund are as follows:

1. To provide Saskatchewan citizens with a clear statement of the management of their non-renewable resource revenues.

2. To provide a financial mechanism through which a portion of resource revenues will be set aside and invested in income-generating assets for the benefit of future generations.

3. To finance a significant portion of the government's current programs and services and to stabilize the budgetary position of the Consolidated Fund.

4. To finance special capital projects, through 'Provincial Development Expenditures', which will contribute to the long-term social and economic development of the province.

5. To increase the Legislative Assembly's control over non-renewable resource revenues by making expenditures and investments of the Fund subject to the approval of the Legislative Assembly.

How the Heritage Fund Works

Under the Heritage Fund (Saskatchewan) Act, all non-renewable resource revenues are deposited in the Heritage Fund. Also credited to the Fund, as revenues, is the interest and dividend income earned on the Fund's investments.

Revenues of the Heritage Fund are applied either as budgetary expenditures, which are outflows of Heritage Fund revenues, or are retained as assets of the Fund.

Budgetary expenditures include:

1. The Dividend to the Consolidated Fund.

The largest single use of Heritage Fund revenues is to finance on-going programs and services of government.

2. Incentives for oil and gas exploration and development, and for conservation projects.

3. Provincial Development Expenditures.

Special capital expenditures are made for social and economic projects which are not intended to yield a direct financial return.

The surplus which results from the excess of budgetary revenues over budgetary expenditures remains within the Heritage Fund, increasing its total assets. These assets are available for investment, and take the form of:

1. Equity investments in Crown corporations.

2. Loans to Crown corporations.

3. Current assets, in the form of:

(a) the cash balance in the Heritage Fund's bank account,

(b) marketable securities, including debentures and other marketable instruments, or

(c) the amount 'Due from the Consolidated Fund', referring to all monies held temporarily on non-interest bearing deposit with the Consolidated Fund.

Divisions of the Heritage Fund

The Heritage Fund (Saskatchewan) Act was amended in 1980 to organize the Heritage Fund into three Divisions:

1. Resources Division

The Resources Division is the core of the Heritage Fund, and receives all non-renewable resource revenues. Some of these revenues may be transferred to the other two Divisions for specific purposes.

The Resources Division finances the Consolidated Fund Dividend and the Provincial Development Expenditures. The remaining activities of the Division include those budgetary expenditures and loans to, or investments in, Crown corporations which are not undertaken by the Fund's other Divisions.

2. Energy Security Division

The objective of the Energy Security Division is to help ensure that Saskatchewan consumers have adequate fuel supplies in the years ahead. This Division finances the development of energy resources, supports energy conservation initiatives, and provides the means to set aside funds for future years through an Energy Security Reserve.

3. Environmental Protection Division

The Environmental Protection Division was created as a contingency fund against any unforeseen environmental problem which might arise after a uranium mine has ended production and the mining company has com-

pleted the required reclamation of the mine and mill site.

In 1983, two new Divisions were added to the Heritage Fund: the Research and Development Division and the Agricultural Division.

4. Research and Development Division

The Research and Development Division was established to help fund pioneering efforts in scientific and technological advancement. This Division, along with other government-wide initiatives, emphasizes the government's commitment to help prepare the Saskatchewan economy for the future.

5. Agricultural Division

The Agricultural Division's goal is to encourage long-term economic growth and stability in the agricultural sector. Initially the new Division will be used to fund the Farm Purchase Program, with other initiatives possible over time.

Legislative Control

The activities of the Heritage Fund are directly controlled by the Legislative Assembly through its annual review and approval of the Heritage Fund expenditures and long-term investments.

Sources of Revenues

Sources of Revenues

Heritage Fund revenues are generated from the Province's royalty and tax systems, associated with the extraction and sale of Saskatchewan's non-renewable resources, and through the investment revenue on the Fund's assets.

Total Heritage Fund revenues were $842.3 million in 1982-83, an increase of 1.1 per cent over 1981-82. The reduction experienced in potash revenues (approximately $148 million or 80 per cent) was offset by the growth experienced in oil revenues (approximately $114 million) and increased receipts under the Crude Oil Export Charge (approximately $53 million).

Oil continued to be the largest revenue generator for the Heritage Fund.

Coal

Saskatchewan has coal reserves of approximately 7.6 billion tonnes. All of these reserves are lignite, representing 44 per cent of total Canadian lignite reserves. Lignite coal is of low thermal value and high ash content. At present, most Saskatchewan lignite is used by large capacity, thermal electrical power generating stations belonging to the Saskatchewan Power Corporation.

In 1982, 7.5 million tonnes of coal were produced from the six strip mining operations in the extreme southern part of Saskatchewan, compared with 6.8 million tonnes in 1981. The value of coal shipments increased to $62.4 million in 1982 from $42.1 million in 1981.

Coal production on Crown lands is subject to a royalty of 15 per cent of the mine gate value of sales. As of January 1, 1983, the freehold coal tax changed from a levy on the assessed value of freehold producing tracts to a 7 per cent tax on the value of production. The new tax rate on freehold production is less than that on Crown production in acknowledgement of the fact the freehold producers also make payments to the mineral rights owner. Freehold production taxes and mineral rights payments are equivalent to the Crown production royalty. Revenues to the Province generated by the new freehold tax system are approximately the same as under the previous system.

Heritage Fund revenues from coal rose from $7.9 million in 1981-82 to $11 million in 1982-83. Higher revenues are expected in the next decade as a result of a steadily increasing demand for this primary energy source.

Definition of Reserves — Reserves of immediate interest; at less than 150 feet deep; measured, indicated or inferred.

Natural Gas

Saskatchewan's remaining established reserves of natural gas, recoverable at current prices and with current technology, are estimated at 44.2 billion cubic metres (1,568 billion cubic feet). In addition, there are a further estimated 30 billion cubic metres (1,065 billion cubic feet) of gas reserves which are not yet classified as established reserves because of the uncertainty associated with their existence.

Nearly all of Saskatchewan's natural gas production is consumed in the province and provides approximately 40 per cent of Saskatchewan requirements. In 1982, total natural gas production amounted to 1.6 billion cubic metres (56.8 billion cubic feet). Natural gas production in 1981 totalled 1.5 billion cubic metres (53.2 billion cubic feet). The value of natural gas shipments was $24.3 million in 1982 compared to $19.7 million in 1981. The value of shipments of natural gas and natural gas products was $30.8 million in 1982 and $27.9 million in 1981.

Natural gas production from Crown lands was subject to a royalty of 71 cents per thousand cubic metres (2 cents per thousand cubic feet) up to January 31, 1983. As of February 1, 1983, when the fieldgate price of natural gas in Saskatchewan increased from $19.17 per thousand cubic metres (54 cents per thousand cubic feet) to $35.49 per thousand cubic metres ($1.00 per thousand cubic feet), the royalty increased to $3.54 per thousand cubic metres (10 cents per thousand cubic feet). Under this policy, further increases in the fieldgate price of natural gas in the province will track increases in the Alberta border price established under the Canada-Alberta Energy Agreement. Saskatchewan's royalties will increase by 20 per cent of the price increase.

Royalties from natural gas production totalled $1 million in 1982-83 compared with $671,000 in the previous fiscal year.

Oil

Total reserves in Saskatchewan, recoverable at current prices and with current technology, are estimated at 98.3 million cubic metres (618 million barrels), or about 13 per cent of Canadian established reserves. Of the Saskatchewan total, light and medium crude reserves are 68.3 million cubic metres (430 million barrels) and heavy oil reserves are 30 million cubic metres (189 million barrels). In addition to these established reserves, the province is endowed with substantial deposits of heavy oil. It is estimated that with the application of enhanced oil recovery techniques, 574 million cubic metres (3,600 million barrels) of heavy oil reserves could be recovered.

Saskatchewan's oil production peaked at about 14.8 million cubic metres (93 million barrels) in 1966. Production in 1982 amounted to 8.1 million cubic metres (50.9 million barrels), compared with 7.4 million cubic metres (46.6 million barrels) in 1981. The decline in oil production over the late sixties and through most of the seventies was due to a depletion of light and medium crude reserves. Marketing difficulties experienced in 1981 were eliminated in 1982. In 1982, light gravity oil production was 2.3 million cubic metres (14.5 million barrels), medium oil production was 3.1 million cubic metres (19.5 million barrels), and heavy crude production was 2.7 million cubic metres (17 million barrels), all up over the previous year.

Saskatchewan's vast deposits of heavy oil in-place provide the opportunity to bolster oil production. The major barrier to heavy oil development is low recovery rates. Conventional pumping methods are able to recover an average of only 7 to 9 per cent of the oil in-place because of its extreme density and viscosity. Government and industry are actively working to develop new technology, and are engaged in a number of pilot projects in western Saskatchewan. These developments may eventually result in the recovery of up to 40 per cent of the oil in-place, within project areas.

The value of Saskatchewan's oil shipments increased from $821 million in 1981 to $1,189 million in 1982, reversing the decline experienced in 1981. The average well-head price for Saskatchewan crude rose from $138.36 per cubic metre ($22.00 per barrel) at the beginning of 1982 to $150.78 per cubic metre ($23.97 per barrel) at the end of 1982.

Provincial oil revenues totalled $700.3 million in 1982-83 compared with $532.7 million in 1981-82. Most of Saskatchewan's oil revenues are collected from Crown royalties, the Freehold Oil Production Tax, the Oil Well Income Tax, and the Oil Export Charge flowback.

Under the authority of The Mineral Resources Act and The Petroleum and Natural Gas Regulations, 1969, the Province collected $307.1 million in royalties from Crown lands in 1982-83. Under The Oil Well Income Tax Act, 1978 and The Freehold Oil and Gas Production Tax Act, 1983, the Province collected $101.6 million in taxes during the same period.

The Oil Well Income Tax Act, 1978, levied a tax on the revenue from oil production within Saskatchewan. An exemption was provided to an owner of oil and gas rights in producing tracts totalling 1,280 acres or less. Crown royalties paid were credited against tax payable. The Freehold Oil and Gas Production Tax Act, 1983, replaced this Act effective January 1, 1983. The Province established a freehold tax on oil production similar to that of the Crown royalty. The royalty and tax rates, which are expressed as a percentage of production, are computed according to a formula based upon the monthly oil production rate of each oil well. Royalty and tax payments are then calculated by applying the royalty and tax rates to the fair market value of the crude oil.

Under agreement with the federal government, the Province receives 50 per cent of revenues generated by the Oil Export Charge, a levy roughly equivalent to the difference between domestic and world oil prices, on oil exported from Saskatchewan. In 1982-83, the Province received $217.4 million in Oil Export Charge revenue. Other sources of oil revenues, mainly from the sale of rights to explore for and develop oil and natural gas located under Crown lands, amounted to $74.1 million in 1982-83.

In the 1980's oil will continue to be the largest source of Heritage Fund revenue. This reflects the continuation of the upward trend in oil prices and the anticipated development of Saskatchewan's vast heavy oil resources.

Potash

Saskatchewan's potash reserves underlie a sizeable portion of the southern half of the province. Provincial reserves are estimated at 107 billion tonnes of KCl or 65.3 billion tonnes of K_2O equivalent. This represents about 45 per cent of the world's economically recoverable reserves. Saskatchewan has sufficient potash to last several thousand years at present production rates. Potash is sold and graded on the basis of its potassium oxide (K_2O) equivalent, representing about 60 per cent of the actual weight of the KCl potash product.

Saskatchewan's potash deposits are among the easiest and most economical to mine in the world because their size and favourable geology allow the assembly of large-scale mining operations. As well, the grade of the potash ore mined in Saskatchewan is very high, averaging 20 to 27 per cent K_2O equivalent in beds that may be as much as six metres thick. In 1982, the Saskatchewan potash industry produced 8.5 million tonnes of KCl (5.2 million tonnes of K_2O equivalent), down from the 1981 output of 11.8 million tonnes (7.2 million tonnes of K_2O equivalent).

In recent years Saskatchewan's potash production has accounted for about 25 per cent of world output. Virtually all of the province's potash output is exported, mostly to the United States. In 1982, approximately 3.2 million tonnes K_2O were sold to American buyers out of total sales of 5.1 million tonnes K_2O.

The continuation of weak world demand resulted in offshore sales falling from 1.8 million tonnes K_2O in 1981 to 1.6 million tonnes K_2O in 1982, down 11 per cent. Average prices in 1982 decreased from $157 per tonne of K_2O equivalent in 1981 to $126 per tonne of K_2O equivalent.

In July, 1979, the provincial government entered into five year Potash Resource Payments Agreements with each of the potash producers in Saskatchewan. Payments under these agreements are comprised of two components. The first is a "base payment" which is related to the amount of saleable potash produced each year. The second is a "graduated payment" related to the profitability of the mining operation.

Revenues from The Potash Resource Payments Agreements were $27.7 million in 1982-83, while other potash revenues were $9.2 million. Total Heritage Fund revenues from potash fell from $185 million in 1981-82 to $36.9 million in 1982-83.

Various sources have forecast that world demand for potash will rise by 3 to 4 per cent per year during the next decade as fertilizers become increasingly important in meeting global food needs. Saskatchewan is confident that it will obtain a significant share of this expanding world market. The province has immense, high quality reserves, and mines that are modern, use proven technology, and are capable of expanding rapidly. As a result, potash is expected to grow in importance as a source of Heritage Fund revenues.

Sodium Sulphate

Associated with the alkaline lakes located in the southern part of Saskatchewan are substantial reserves of commercial anhydrous sodium sulphate (Na_2SO_4), estimated at almost 27 million tonnes. Most of the province's production is used in the wood pulp industry, with lesser amounts used in detergents, in the manufacture of rayon and in dyeing and finishing textiles.

In 1982, the eight plants in operation produced 509,600 tonnes of sodium sulphate, with shipments worth $43.6 million. Production in 1981 amounted to 500,000 tonnes, and shipments were valued at $36.4 million.

The effective royalty rate on sodium sulphate production from Crown lands varies between 4 per cent and 15 per cent, depending on price, operating costs, and the level of production.

Heritage Fund revenues from sodium sulphate remained at $1.6 million in 1982-83.

Uranium

It is estimated that Saskatchewan has assured total reserves in excess of 130 million kg of uranium metal (U). Probable additional reserves of 68 million kg of U are inferred on the basis of excellent geological indications. These estimates represent about 50 per cent of Canada's uranium reserves and more than 6 per cent of world reserves.

Saskatchewan's uranium deposits are among the highest quality in the world. While some ore bodies outside Saskatchewan are mined profitably with concentrations of uranium as low as one-tenth of one per cent, the important recently found deposits in northern Saskatchewan average about 2 per cent, and some are in a range of 4 to 5 per cent. In many cases, these exceptionally rich deposits can be developed through the use of economical open pit techniques.

In 1982, two uranium mines were in operation throughout the year in Saskatchewan — Cluff Lake and Rabbit Lake. The mine at Lake Athabasca (Uranium City — Eldorado Nuclear Limited) commenced decommissioning June 30, 1982. These mines produced 3,491 tonnes of uranium oxide in 1982 compared to 3,381 tonnes in 1981. A new mine was under development at Key Lake. The Collins Bay B-zone orebody was being developed to provide a continuing source of feedstock for the Rabbit Lake mill after depletion of the original Rabbit Lake orebody.

The uranium royalty system applied by the Province allows the producer to recover capital expenditures before 'graduated royalties', based upon the rate of return of the project, are payable. In addition to the 'graduated royalty', a 'basic royalty' related to the value of sales is also levied. Uranium royalty revenues decreased from $29.9 million in 1981-82 to $24.4 million in 1982-83.

Other Non-Renewable Resources

Copper, zinc, gold, and other minerals are also mined in Saskatchewan. These minerals generated $619,000 in Heritage Fund revenues in 1982-83, compared with $880,000 in 1981-82.

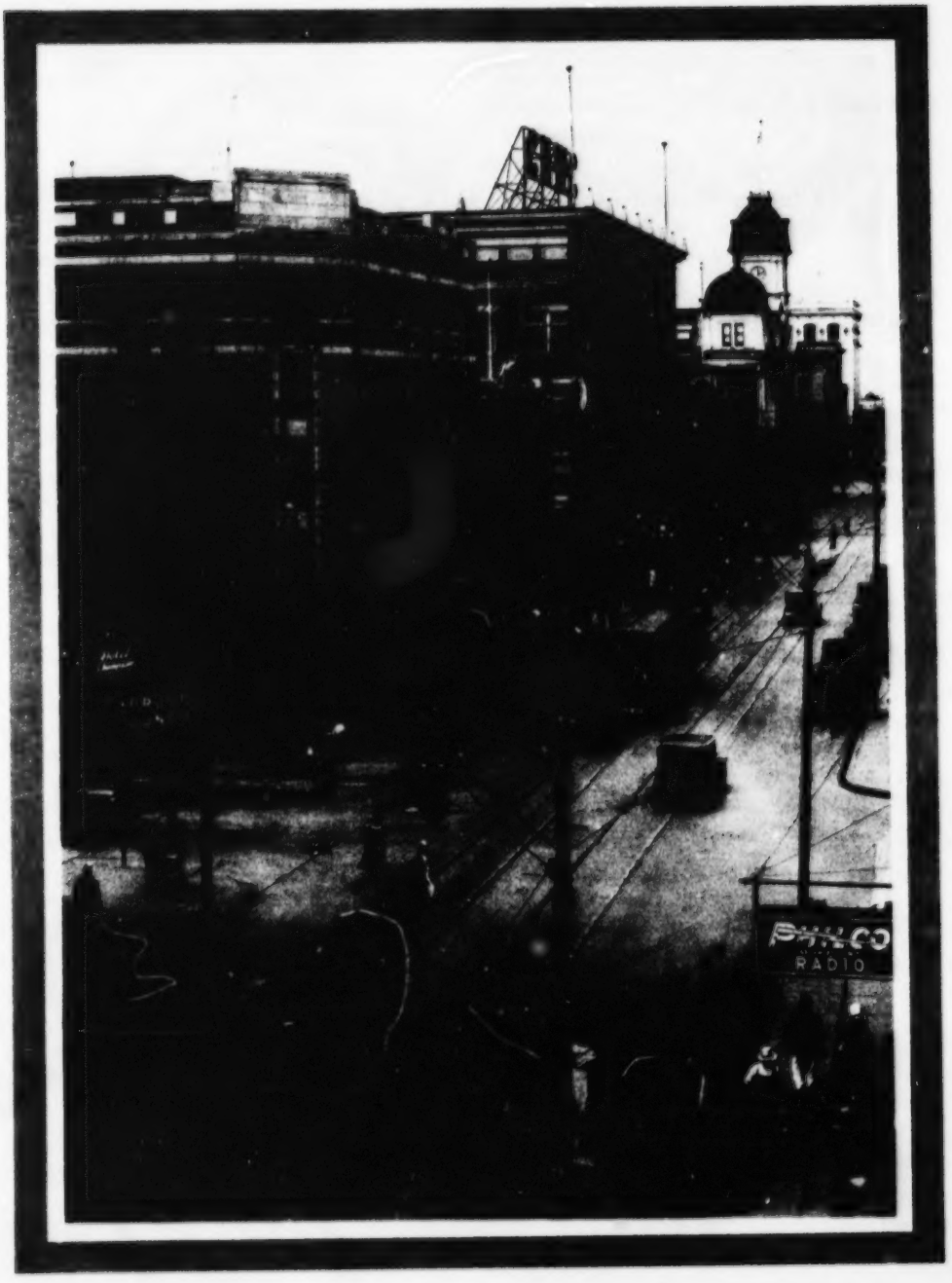
Investment Revenue

Investment revenue includes interest earned on marketable securities and loan investments, dividends received from equity investments in Crown corporations, and any capital gains from the disposal of investments.

Dividend income in 1982-83 of $42 million was received from the Crown Investments Corporation of Saskatchewan. $50 million was received in 1981-82.

In 1982-83, the Heritage Fund recorded $24.5 million in interest revenue, compared with $24.2 million for the previous fiscal year.

Application of Revenues



Application of Revenues

1. Resources Division

Budgetary Expenditures

Saskatchewan Heritage Fund Dividend

Each year, a major portion of Heritage Fund revenues is transferred as a dividend to the Consolidated Fund to help finance current government expenditures in such areas as education, health care and social services. Through the funding of these programs with the Heritage Fund Dividend, the government is able to maintain taxation levels as low as possible.

The dividend transferred to the Consolidated Fund as of March 31, 1983 was $675 million of total 1982-83 revenues of $842.3 million.

Compensation Payments and Refunds

In 1973, the petroleum and natural gas rights of mineral owners with producing tracts greater than 1,280 acres were acquired by the Crown. Compensation payments totalling $2.1 million were paid to the former owners from the Heritage Fund in 1982-83.

Interest on refunds of taxes resulting from overpayment of taxes totalled $497,589 in 1982-83.

Provincial Development Expenditures

Monies are provided from the Heritage Fund to finance capital projects (Provincial Development Expenditures — P.D.E.'s) of a social or economic nature which are not intended to provide a financial return to the Heritage Fund.

There are four categories of P.D.E.'s — Resource, Economic and Industrial Development; Health and Education; Culture and Recreation; and Municipal.

The maximum funding available for P.D.E.'s from the Heritage Fund in any one year, is 20 per cent of the Heritage Fund's remaining revenues after the dividend is transferred to the Consolidated Fund. In 1982-83, Provincial Development Expenditures totalled $32.6 million.

Provincial Development Expenditures in 1982-83 comprised the following:

Resource, Economic and Industrial Development

Interprovincial Pipe and Steel Corporation Ltd. — Plant Expansion

A grant of $12.3 million was awarded to the Interprovincial Pipe and Steel Corporation (IPSCO) in 1978 under the terms of a Canada/Saskatchewan Agreement to undertake an $80 million expansion program at the Regina plant.

In 1982-83, the Heritage Fund paid $271,366 toward the provincial share of final construction costs. This is the final payment under the agreement.

Construction of Resource Research Facility — Saskatoon

Funding of $68,772 was provided in 1982-83 to complete an Analytical Pilot Plant Project — the final project in a research facility associated with "Innovation Place" research park in Saskatoon.

Construction of the Resource Research Facility commenced in 1979 and is now complete.

Health and Education

Capital Grant to the University Hospital

In 1982-83, the Heritage Fund contributed $4 million toward a major renovation program at University Hospital in Saskatoon.

The purpose of the program is to fully renovate the original hospital building, as well as portions of Ellis Hall, a former nurses' residence. Construction began in 1979 and is scheduled for completion in the late 1980's.

In 1982-83 renovation projects included the Administrative Offices, Pharmacy and Pathology facilities, elevator replacement and a major plumbing upgrading program.

Saskatchewan Rehabilitation Centre

Planning continued for a new provincial rehabilitation centre to be located in Regina. Total 1982-83 project expenditures were $29,492, for a cumulative expenditure of $77,283 since project inception.

Provincial Laboratory Building

Funding of $151,836 was provided from the Heritage Fund in 1982-83 for planning of a new provincial health and environmental laboratory in Regina.

Institute of Applied Arts and Science — Prince Albert

Design funding of $280,490 was provided from the Heritage Fund in 1982-83 for a new technical institute in Prince Albert. The commencement of this project supports the government's commitment to skills training to meet future labour market requirements.

Saskatchewan Technical Institute — Moose Jaw

A 1982-83 expenditure of $2.9 million was incurred for the construction of a two storey addition. Total project

cumulative expenditure to date is $3.6 million.

Saskatoon Hospitals Construction Program

Preliminary planning was undertaken in 1982-83 for the upgrading of hospital facilities in Saskatoon.

Expenses of $194,264 were incurred.

Veterinary College Building

The expansion and renovation of the College of Veterinary Medicine, University of Saskatchewan was completed in 1982-83. Funding of $140,000 was provided by the Heritage Fund in 1982-83 to meet payment requirements of construction hold backs and to complete all construction.

Engineering College Building

Funding of $2 million was provided from the Heritage Fund in 1982-83 to continue the expansion and renovation of the College of Engineering Building, University of Saskatchewan. To date $27.2 million has been expended on the project.

Geological Sciences Building

Planning continued in 1982-83 for a Geological Sciences Building for the University of Saskatchewan. Heritage Fund expenditures during 1982-83 for this project were $150,000 to develop preliminary plans and working drawings.

Culture and Recreation

Moose Jaw Wild Animal Park Development

The Moose Jaw Wild Animal Park facility has been improved and expanded over the past five years at a total cost of $2.5 million.

In 1982-83, the Heritage Fund paid a final installment of $533,216 to complete the project.

Parks Facilities — Cypress Hills

In 1982-83, the Heritage Fund contributed funding of $82,621 towards design fees for tourist facilities in the Cypress Hills Provincial Park.

Restoration of Saskatchewan House

In 1982-83 the Heritage Fund provided $325,471 towards completion of a major restoration program for Saskatchewan House in Regina. Renovation projects in 1982-83 included renovation of the greenhouse and acquisition and refurbishing of antique furniture.

Saskatchewan Archives Building

The Heritage Fund paid $175,993 towards design fees for the Saskatchewan Archives Building in 1982-83. Total expenditures to date for this facility are $284,356. A decision has subsequently been made to accommodate Provincial Archives through rental of facilities rather than construction.

Municipal

Construction of Court Houses — Regina and Saskatoon

In 1982-83, the Heritage Fund provided $24,515 for initial planning of new court houses in Regina and Saskatoon.

Grant to the City of Lloydminster for Water Supply Project

A grant of $4.7 million to the City of Lloydminster was approved in 1982-83 to assist the city in the development of a water and sewer system capable of meeting rising demands due to a rapid increase in population.

Grants under the Community Capital Fund II Program

The Community Capital Fund II Program is a five year program which commenced in April 1980 and will expire in 1985. The program was established to assist municipalities with the construction of capital works and the purchase of capital equipment. The program is also designed to encourage long-term capital planning by communities. In 1982-83, 582 projects were approved and awarded $16.5 million in grants.

Investments, Loans and Current Assets

Current Assets

Current assets of the Heritage Fund consist of assets held in the form of cash, marketable securities and the amount "Due from the Consolidated Fund".

Current assets of the Resources Division as of March 31, 1983 totalled $227.3 million as compared to $186.2 million at March 31, 1982. These assets remain available for future investments by the Heritage Fund.

2. Energy Security Division

Budgetary Expenditures

Grant to Federated Co-operatives Ltd. for Refinery Expansion

In 1982-83, the Heritage Fund paid $960,000 as a final payment towards an agreement signed with Federated Co-operatives for the expansion of refinery facilities.

Grant to Federated Co-operatives Ltd. for Construction of a Fuel Alcohol Facility

During 1982-83, the Heritage Fund paid $44,941 for engineering studies related to the project. Subsequently, it was decided not to proceed with the actual construction of the facility.

Petroleum and Natural Gas Exploration, Conservation and Development

This grant program provides incentive grants to the oil and gas industry for the exploration, conservation and development of the province's oil and gas resources. Grants were based on actual company expenditures and production.

This program was terminated as of December 31, 1982 and replaced by the Oil Industry Recovery Program. Credits accumulated by companies participating in the Approved Expenditure Grant Program are to be paid out over a three year period.

Total funding in 1982-83 for incentive grants and for accumulated credit bank obligations was $57.8 million.

Canada-Saskatchewan Heavy Oil Agreement

The cost-shared Heavy Oil Agreement, signed in 1976, provides $16.2 million over eight years to encourage more efficient and complete extraction of heavy oil. Initial projects concentrated on field pilot enhanced recovery. In 1982-83 funding was directed towards more specific research and development projects.

In 1982-83, $483,915 was spent under the Heavy Oil Agreement on the following projects:

- Thermal Study of Heavy Core Samples — $ 80,615
- Enhanced Heavy Oil Recovery by Carbon Dioxide Injection — 207,225
- Characterization of Saskatchewan Crude Oil — 115,165
- Pipelining of Heavy Oils and Emulsions — 17,665
- Geological Models for Enhanced Recovery of Saskatchewan Heavy Oil — 63,245

Canada-Saskatchewan Renewable Energy and Energy Conservation Demonstration Agreement

The Renewable Energy and Energy Conservation Agreement provides funding up to a total of $18 million over a five year period for projects which demonstrate the potential for conserving energy, or which encourage the development and adoption of renewable energy alternatives in Saskatchewan. All eligible expenses are cost-shared equally between the Governments of Canada and Saskatchewan.

In 1982-83, approximately $1.5 million was expended.

Major projects under the Renewable Energy Agreement included the following:

- Retrofitting of Existing Recreational Facilities — $ 83,880
- New Apiticusan School — Southend — 130,500
- Farm Energy Management Program — 239,555
- Energy Efficient Recreational Complex — 174,715
- Waste Heat Green House — 213,195
- Air-to-Air Indirect Heaters and Heat Recovery Heat Exchangers — 90,000
- Fuel Peat Utilization — 262,865

Grasslands Oil and Gas Exploration Agreement

The Grasslands Oil and Gas Exploration Agreement is a subsidiary of the Canada-Saskatchewan agreement to establish a Grasslands National Park in southwest Saskatchewan.

The five year, $10 million cost-shared exploration program is designed to clear park land of oil and gas potential prior to the federal government acquiring the surface rights. In 1982-83, $717,919 was spent on Grasslands oil and gas exploration.

Investments, Loans and Current Assets

Saskatchewan Oil and Gas Corporation

The Heritage Fund financed oil and gas development in the province in 1982-83 with an equity investment of $28 million in Saskatchewan Oil and Gas Corporation to fund the exploration and development of Saskatchewan's oil and gas resources.

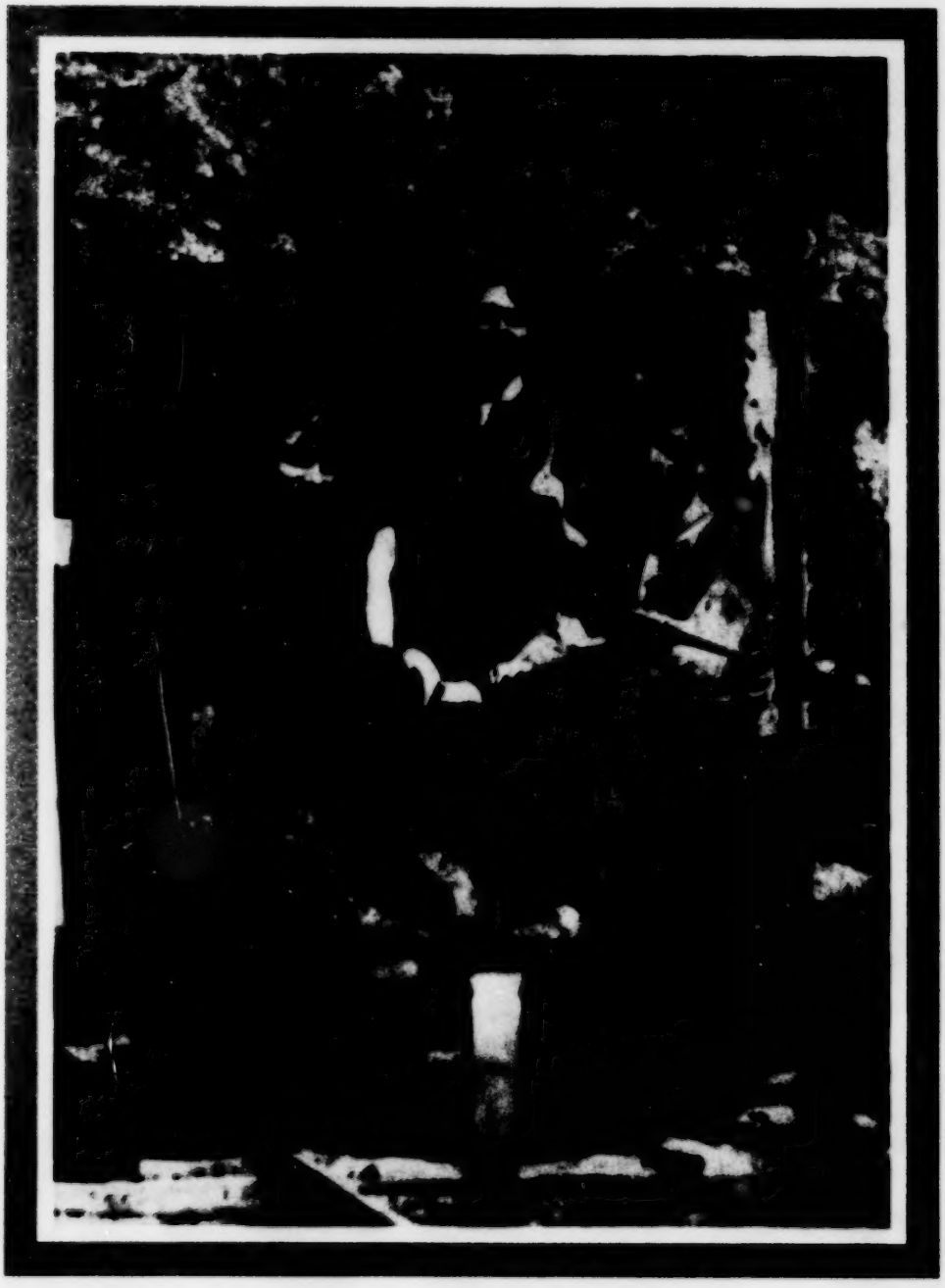
Current Assets

An Energy Security Reserve of $20 million was established in 1980 to provide Saskatchewan with the flexibility to pursue new energy opportunities as they arise. No new projects were funded out of the Energy Security Reserve in 1982-83, however interest earnings of $3.5 million increased the reserve from $25.3 million as of March 31, 1982 to $28.9 million as of March 31, 1983.

3. Environmental Protection Division

In 1980, a $2 million Environmental Protection Reserve was established. Interest earnings of $511,035 in 1982-83 increased the level of the Environmental Protection Reserve from $3.5 million as of March 31, 1982 to $4.1 million as of March 31, 1983.

Financial Statements

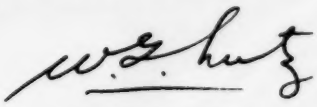


Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Heritage Fund as at March 31, 1983 and the statements of Province's equity, budgetary revenue, budgetary expenditure, non-budgetary transactions, changes in financial position and cumulative provincial development expenditure, all for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present the financial position of the Saskatchewan Heritage Fund as at March 31, 1983 and the results of its transactions for the year then ended in accordance with the stated accounting policies applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan
September 30, 1983.

W. G. Lutz, F.C.A.,
Provincial Auditor

Saskatchewan Heritage Fund

Statement of Financial Position

At March 31, 1983
(with comparative figures for the previous year)

Assets	Resources Division	Energy Security Division	Environmental Protection Division	1983 Total	1982 Total
Current Assets					
Cash and Marketable Securities (Note 2)	$ 27,135,690	$ 14,684,031	$ 4,055,564	**$ 45,875,285**	$ 67,211,414
Short-Term Advances to Crown Corporations (Note 3)	20,000,000	14,200,000	.....	**34,200,000**	15,700,000
Due from the Consolidated Fund	180,213,809	.....	.....	**180,213,809**	132,163,405
Total Current Assets	$ 227,349,499	$ 28,884,031	$ 4,055,564	**$ 260,289,094**	$ 215,074,819
Loans to Crown Corporations *(Note 4)*					
Potash Corporation of Saskatchewan	$ 33,400,000	$	$	**$ 33,400,000**	$ 33,400,000
Saskatchewan Grain Car Corporation (Note 9)	51,333,340	.....	.....	**51,333,340**	53,166,670
Saskatchewan Housing Corporation	8,000,000	.....	.....	**8,000,000**	8,000,000
Municipal Financing Corporation of Saskatchewan	10,000,000	.....	.....	**10,000,000**	10,000,000
Saskatchewan Power Corporation	.....	2,448,172	.....	**2,448,172**	3,253,716
Total Loans to Crown Corporations	$ 102,733,340	$ 2,448,172	$	**$ 105,181,512**	$ 107,820,386
Investments in Crown Corporations *(Note 5)*					
Crown Investments Corporation of Saskatchewan	$ 109,975,903	$	$	**$ 109,975,903**	$ 109,975,903
Potash Corporation of Saskatchewan	418,553,715	.....	.....	**418,553,715**	418,553,715
Saskatchewan Mining Development Corporation	218,700,000	.....	.....	**218,700,000**	218,700,000
Saskatchewan Oil and Gas Corporation	.....	91,500,000	.....	**91,500,000**	63,500,000
Total Investments in Crown Corporations	$ 747,229,618	$ 91,500,000	$	**$ 838,729,618**	$ 810,729,618
Total Assets	**$1,077,312,457**	**$ 122,832,203**	**$ 4,055,564**	**$1,204,200,224**	$ 1,133,624,823

Province's Equity	Resources Division	Energy Security Division	Environmental Protection Division	1983 Total	1982 Total
Unallocated Equity	$ 1,077,312,457	$ 93,948,172	$	**$1,171,260,629**	$ 1,104,743,712
Energy Security Reserve	.....	28,884,031	.....	**28,884,031**	25,336,582
Environmental Protection Reserve	.....	.....	4,055,564	**4,055,564**	3,544,529
Total Province's Equity	**$1,077,312,457**	**$ 122,832,203**	**$ 4,055,564**	**$1,204,200,224**	$ 1,133,624,823

(see accompanying notes)

Saskatchewan Heritage Fund

Statement of Province's Equity

For the Year Ended March 31, 1983
(with comparative figures for the previous year)

	Resources Division	Energy Security Division	Environmental Protection Division	1983 Total	1982 Total
Unallocated Equity					
Balance, Beginning of Year	$ 1,037,989,996	$ 66,753,716	$	**$1,104,743,712**	$ 979,576,777
Budgetary Revenue	$ 749,449,486	$ 92,362,734	$ 511,035	**$ 842,323,255**	$ 832,893,210
Budgetary Expenditure	710,127,025	61,620,829	.....	**771,747,854**	701,655,158
Excess of Budgetary Revenue over Budgetary Expenditure	$ 39,322,461	$ 30,741,905	$ 511,035	**$ 70,575,401**	$ 131,238,052
	$ 1,077,312,457	$ 97,495,621	$ 511,035	**$1,175,319,113**	$ 1,110,814,829
Transfers to Reserves	.....	3,547,449	511,035	**4,058,484**	6,071,117
Balance, End of Year	$ 1,077,312,457	$ 93,948,172	$	**$1,171,260,629**	$ 1,104,743,712
Reserves					
Balance, Beginning of Year	$	$ 25,336,582	$ 3,544,529	**$ 28,881,111**	$ 22,809,994
Transfers to Reserves	.....	3,547,449	511,035	**4,058,484**	6,071,117
Balance, End of Year	$	$ 28,884,031	$ 4,055,564	**$ 32,939,595**	$ 28,881,111
Total Equity, End of Year	**$1,077,312,457**	**$ 122,832,203**	**$ 4,055,564**	**$1,204,200,224**	$ 1,133,624,823

(see accompanying notes)

Saskatchewan Heritage Fund

Statement of Budgetary Revenue

For the Year Ended March 31, 1983
(with comparative figures for the previous year)

	Resources Division	Energy Security Division	Environmental Protection Division	1983 Total	1982 Total
Non-Renewable Resource Revenue					
Coal	$ 10,988,357	$	$	$ **10,988,357**	$ 7,937,314
Natural Gas *(Note 7)*	1,009,629	.....	.....	**1,009,629**	671,530
Oil *(Note 7)*	482,888,649	.....	.....	**482,888,649**	368,727,963
Crude Oil Export Charge	217,393,542	.....	.....	**217,393,542**	163,984,000
Potash	36,870,663	.....	.....	**36,870,663**	184,999,779
Sodium Sulphate	1,617,831	.....	.....	**1,617,831**	1,550,268
Uranium	24,403,390	.....	.....	**24,403,390**	29,932,970
Other Non-Renewable Resources	619,418	.....	.....	**619,418**	879,749
Total Non-Renewable Resource Revenue	$ 775,791,479	$	$	$ **775,791,479**	$ 758,683,573
Investment Revenue					
Dividend from Crown Investments Corporation	$ 42,000,000	$	$	$ **42,000,000**	$ 50,000,000
Other Investment Revenue	20,414,731	3,547,449	511,035	**24,473,215**	24,209,637
Total Investment Revenue	$ 62,414,731	$ 3,547,449	$ 511,035	$ **66,473,215**	$ 74,209,637
Other Revenues					
Refunds of Previous Years' Expenditure	$ 58,561	$	$	$ **58,561**	$ .....
Total Other Revenues	$ 58,561	$	$	$ **58,561**	$ .....
Total Budgetary Revenue before Inter-Divisional Transfers	$ 838,264,771	$ 3,547,449	$ 511,035	$ **842,323,255**	$ 832,893,210
Inter-Divisional Transfers	(88,815,285)	88,815,285	.....	.....	.....
Total Net Budgetary Revenue after Inter-Divisional Transfers	$ **749,449,486**	$ **92,362,734**	$ **511,035**	$ **842,323,255**	$ 832,893,210

(see accompanying notes)

Saskatchewan Heritage Fund

Statement of Budgetary Expenditure

For the Year Ended March 31, 1983
(with comparative figures for the previous year)

	Resources Division	Energy Security Division	Environmental Protection Division	1983 Total	1982 Total
Ordinary					
Dividend to Consolidated Fund	$ 675,000,000	$	$	$ 675,000,000	$ 585,000,000
Compensation Payments for Oil Rights Acquired by the Crown	2,070,578	.....	.....	2,070,578	1,916,890
Interest on Refunds of Taxes	497,589	.....	.....	497,589	420,000
Grant to Federated Co-operatives Ltd. for Refinery Expansion	.....	960,000	.....	960,000	.....
Grant to Federated Co-operatives Ltd. for Construction of a Fuel Alcohol Facility	.....	44,941	.....	44,941	.....
Grants for Petroleum and Natural Gas Exploration, Conservation, and Development	.....	57,820,101	.....	57,820,101	60,200,000
Grants Pursuant to the Canada-Saskatchewan Heavy Oil Agreement	.....	483,915	.....	483,915	.....
Payments for Projects Pursuant to the Canada-Saskatchewan Renewable Energy and Energy Conservation Demonstration Agreement	.....	1,548,137	.....	1,548,137	539,994
Payment for Project Pursuant to the Grasslands Oil and Gas Exploration Agreement	.....	717,919	.....	717,919	.....
Research Grants	.....	.....	.....	.....	6,500
Administrative Expenses of the Canada-Saskatchewan Heavy Oil Agreement, and Alternative Fuel Test Program	.....	45,816	.....	45,816	33,185
Total Ordinary Expenditure	$ 677,568,167	$ 61,620,829	$	$ 739,188,996	$ 648,116,569
Capital					
Provincial Development Expenditure	$ 32,558,858	$	$	$ 32,558,858	$ 53,538,589
Total Capital Expenditure	$ 32,558,858	$	$	$ 32,558,858	$ 53,538,589
Total Budgetary Expenditure	**$ 710,127,025**	**$ 61,620,829**	**$ .....**	**$ 771,747,854**	$ 701,655,158

(see accompanying notes)

Saskatchewan Heritage Fund

Statement of Non-Budgetary Transactions

For the Year Ended March 31, 1983
(with comparative figures for the previous year)

	Resources Division	Energy Security Division	Environmental Protection Division	1983 Total	1982 Total
Receipts					
Repayment of Loans to Crown Corporations					
Saskatchewan Grain Car Corporation	$ 1,833,330	$	$	$ 1,833,330	$ 1,833,330
Saskatchewan Power Corporation	.....	805,544	.....	805,544	1,379,244
Total Repayment of Loans to Crown Corporations	$ 1,833,330	$ 805,544	$	$ 2,638,874	$ 3,212,574
Total Non-Budgetary Receipts	$ 1,833,330	$ 805,544	$	$ 2,638,874	$ 3,212,574
Disbursements					
Loans to Crown Corporations					
Saskatchewan Housing Corporation	$	$	$	$	$ 8,000,000
Municipal Financing Corporation of Saskatchewan	.....	.....	.....	.....	10,000,000
Saskatchewan Power Corporation	.....	.....	.....	.....	2,500,000
Total Loans to Crown Corporations	$	$	$	$	$ 20,500,000
Investments in Crown Corporations					
Crown Investments Corporation of Saskatchewan	$	$	$	$	$ 100,000,000
Saskatchewan Mining Development Corporation	.....	.....	.....	.....	50,000,000
Saskatchewan Oil and Gas Corporation	.....	28,000,000	.....	28,000,000	34,700,000
Total Investments in Crown Corporations	$	$ 28,000,000	$	$ 28,000,000	$ 184,700,000
Total Non-Budgetary Disbursements	$	$ 28,000,000	$	$ 28,000,000	$ 205,200,000
Excess of Non-Budgetary Disbursements over Non-Budgetary Receipts	$ (1,833,330)	$ 27,194,456	$	$ 25,361,126	$ 201,987,426

(see accompanying notes)

Saskatchewan Heritage Fund

Statement of Changes in Financial Position

For the Year Ended March 31, 1983
(with comparative figures for the previous year)

	Resources Division	Energy Security Division	Environmental Protection Division	1983 Total	1982 Total
Budgetary Transactions					
Budgetary Revenue	$ 749,449,486	$ 92,362,734	$ 511,035	**$ 842,323,255**	$ 832,893,210
Budgetary Expenditure	710,127,025	61,620,829	.....	**771,747,854**	701,655,158
Excess of Budgetary Revenue over Budgetary Expenditure	$ 39,322,461	$ 30,741,905	$ 511,035	**$ 70,575,401**	$ 131,238,052
Non-Budgetary Transactions					
Receipts					
Repayment of Loans to Crown Corporations	$ 1,833,330	$ 805,544	$	**$ 2,638,874**	$ 3,212,574
Total Non-Budgetary Receipts	$ 1,833,330	$ 805,544	$	**$ 2,638,874**	$ 3,212,574
Disbursements					
Loans to Crown Corporations	$	$	$	**$ .....**	$ 20,500,000
Investments in Crown Corporations	.....	28,000,000	.....	**28,000,000**	184,700,000
Total Non-Budgetary Disbursements	$	$ 28,000,000	$	**$ 28,000,000**	$ 205,200,000
Excess of Non-Budgetary Disbursements over Non-Budgetary Receipts	$ (1,833,330)	$ 27,194,456	$	**$ 25,361,126**	$ 201,987,426
Increase (Decrease) in Current Assets	**$ 41,155,791**	**$ 3,547,449**	**$ 511,035**	**$ 45,214,275**	$ (70,749,374)

(see accompanying notes)

Saskatchewan Heritage Fund

Statement of Cumulative Provincial Development Expenditure

For the Year Ended March 31, 1983
(with comparative figures for the previous year)

	1983 Current Year Expenditure	1983 Cumulative Expenditure	1982 Current Year Expenditure	1982 Cumulative Expenditure
Resource, Economic, and Industrial Development				
Beauval-Pinehouse Development Road	$	$ 4,061,688	$ 1,902,129	$ 4,061,688
Buffalo Narrows Causeway	.....	2,531,641	.....	2,531,641
Buffalo Narrows Northern Development Airport	.....	2,630,835	.....	2,630,835
Buffalo Narrows Northern Development Airport — Facilities	.....	266,871	.....	266,871
Cluff Lake Development Road	.....	4,812,926	.....	4,812,926
Forestry Development Roads	.....	1,384,395	1,384,395	1,384,395
Interprovincial Steel and Pipe Corporation Ltd. — Plant Expansion	271,366	2,803,366	844,000	2,532,000
Key Lake Development Road	.....	6,436,118*	952,198	6,436,118
La Ronge Aircraft Maintenance Facility	.....	2,260,513	89,375	2,260,513
Northern Highway No. 2	.....	784,407	.....	784,407
Northern Highway No. 105	.....	547,781	547,781	547,781
Northern Highway No. 106	.....	12,586,456	8,042,016	12,586,456
Northern Highway No. 155	.....	5,393,702	3,587,356	5,393,702
Resource Research Facility — Saskatoon	68,772	3,683,762	203,438	3,614,990
Total Resource, Economic, and Industrial Development	$ 340,138	$ 50,184,461	$ 17,552,688	$ 49,844,323
Health and Education				
Grant to the Saskatchewan Cancer Foundation	$	$ 1,025,000	$	$ 1,025,000
Grant to the University Hospital — Capital	4,000,000	13,613,500	3,776,000	9,613,500
Institute of Applied Arts and Sciences — Prince Albert	280,490	280,490	.....	.....
Provincial Laboratory Building	151,836	161,589	17	9,753
Saskatchewan Rehabilitation Centre	29,492	77,283	47,791	47,791
Saskatchewan Technical Institute Expansion	2,984,972	3,575,059	590,087	590,087
Saskatoon Hospitals Construction Program	194,264	194,264	.....	.....
University of Saskatchewan — Engineering Building Construction	2,000,000	27,225,000	8,000,000	25,225,000
University of Saskatchewan — Geological Sciences Building Construction	150,000	450,000	300,000	300,000
University of Saskatchewan — Veterinary College Building Expansion	140,000	12,540,000	4,000,000	12,400,000
Total Health and Education	$ 9,931,054	$ 59,142,185	$ 16,713,895	$ 49,211,131
Culture and Recreation				
Moose Jaw Wild Animal Park Development	$ 533,216	$ 2,519,082	$ 440,917	$ 1,985,866
Parks Facilities Development	.....	2,401,808	673,204	2,401,808
Parks Facilities Development — Cypress Hills	82,621	82,621	.....	.....
Restoration of Northwest Territorial Government Administration Building	.....	687,586	.....	687,586
Restoration of Saskatchewan House	325,471	4,487,229	524,105	4,161,758
Saskatchewan Archives Building	175,993	284,356	108,363	108,363
1979 Western Canada Summer Games Inc. — Athletic Field House Grant	.....	1,750,000	.....	1,750,000
Total Culture and Recreation	$ 1,117,301	$ 12,212,682	$ 1,746,589	$ 11,095,381
Municipal				
Construction of Court Houses — Regina and Saskatoon	$ 24,515	$ 24,515	$	$ .....
Grant to the City of Lloydminster for Water Supply Project	4,650,000	6,102,000	.....	.....
Grants Under the Community Capital Fund Program	16,495,850	44,160,127	17,517,021	29,116,277
Souris River Valley Project	.....	107,072	8,396	107,072
Total Municipal	$ 21,170,365	$ 50,393,714	$ 17,525,417	$ 29,223,349
Total Provincial Development Expenditure	$ 32,558,858	$ 171,933,042	$ 53,538,589	$ 139,374,184

* During 1982-83 there was a refund of previous years' expenditure of $58,561. The cumulative expenditure has not been adjusted to reflect this refund in accordance with the Province's policy of crediting refunds of previous years' expenditure to revenue.

(see accompanying notes)

Saskatchewan Heritage Fund

Notes to the Financial Statements

For the Year Ended March 31, 1983

1. Significant Accounting Policies

A. Reporting Entity

The Saskatchewan Heritage Fund is a special purpose fund established under **The Heritage Fund (Saskatchewan) Act** to receive all non-renewable resource revenues of the Province, interest and dividends on loans and investments made by the Fund, and any gains on disposals of investments held by the Fund.

The Fund is comprised of three divisions: the Resources Division, the Energy Security Division, and the Environmental Protection Division.

The Resources Division receives the non-renewable resource revenues of the Province and investment revenue earned on the Division's assets. Expenditures from this Division include an annual dividend made to the Consolidated Fund for the general purposes of the Province, capital expenditures for projects of a social or economic development nature (which need not provide a direct financial return to the Fund), expenditures to encourage the exploration for and development of the Province's mineral resources, and transfers to the other Divisions. Investments may be made in equity or loan capital of Crown Corporations and in certain prescribed securities.

The Energy Security Division receives monies by way of a transfer from the Resources Division and from the revenue on investment of assets of the Division. The Division may make expenditures, loans, equity investments, and grants for the purpose of encouraging energy conservation and exploration and development of the energy resources of the Province.

The Environmental Protection Division receives monies by way of a transfer from the Resources Division, from revenue on investment of assets of the Division, and from contributions from persons and organizations relating to environmental protection. The Division may make expenditures, loans, and grants respecting environmental protection relating to uranium mining and milling.

B. Legislative Control

All expenditures, grants, loans, and equity investments made by the Fund are made from monies provided by way of annual appropriation authorized by the Legislative Assembly.

C. Basis of Accounting

The accounts of the Fund are maintained on a modified cash basis for a fiscal year commencing on April 1 and ending on March 31 thereafter. Revenues are recorded as received and expenditures are charged to the accounts when payment is made. In addition, revenues received in the 30 days of April which apply to the preceding fiscal year are taken into revenue of the preceding fiscal year, and payments made during the 30 days of April which are for goods and services received in the preceding fiscal year are taken into expenditure of the preceding fiscal year.

D. Classification of Financial Transactions

Cash received can be classified into two categories: budgetary revenue or non-budgetary receipts. Budgetary revenue consists of those receipts which serve to increase the Province's equity in the Fund. Non-budgetary receipts consist of those receipts which reduce recorded assets or increase recorded liabilities of the Fund.

Cash disbursed can similarly be classified into two categories: budgetary expenditure or non-budgetary disbursements. Budgetary expenditure consists of those disbursements which decrease the Province's equity in the Fund. Non-budgetary disbursements consist of those disbursements which increase recorded assets or reduce recorded liabilities of the Fund.

In general terms, **assets** of the Fund will consist of cash, securities, an advance due from the Consolidated Fund, loans to Crown Corporations, and equity investments in Crown Corporations. Specifically:

- **Cash** represents the balance of the Fund bank account at March 31, adjusted for transactions (monies received/cheques issued) during the 30 days following the end of the fiscal year relating to the previous fiscal year.
- **Marketable securities** represent investments purchased, at cost.
- **Due from the Consolidated Fund** represents the balance of all cash received from non-renewable resource revenue less the disbursements for ordinary, capital, and non-budgetary transactions as held by the Consolidated Fund on behalf of the Fund. Cash received from interest and dividends is deposited directly into the Fund's own bank account.
- **Loans to Crown Corporations** represent advances made to Crown Corporations which generally are interest bearing and have a repayment obligation.

Saskatchewan Heritage Fund

Notes to the Financial Statements — *(Continued)*

1. Significant Accounting Policies — *(Concluded)*

D. Classification of Financial Transactions — *(Concluded)*

- **Equity Investments in Crown Corporations** represent advances made to Crown Corporations which are non-interest bearing and have no fixed terms of repayment. These investments are carried at cost.

  In cases where liabilities of a Crown Corporation significantly exceed the estimated realizable value of its assets, and the accumulated deficit is not funded by appropriation (generally from the Consolidated Fund), the investment or loan carried will be written down.

  Dividends from these investments are received through the Crown Investments Corporation of Saskatchewan.

Equity of the Fund consists of two components: unallocated equity and reserve accounts. The reserve accounts are but a segregation of the overall equity of the Fund created for accounting purposes to reflect the intentions of the Government.

Within the Energy Security Division an Energy Security Reserve has been created for the purpose of funding future developments relating to energy security. Within the Environmental Protection Division an Environmental Protection Reserve has been created to provide a contingency fund which would help provide the capacity to mitigate unforseen environmental problems should they arise in the future.

2. Marketable Securities

The book value of marketable securities at March 31, 1983 is $46,743,845 (March 31, 1982, $35,872,635). The market value at March 31, 1983 is $46,076,940 (March 31, 1982, $33,179,405).

3. Short-Term Advances to Crown Corporations

The short-term advances to Crown Corporations are comprised as follows:

	March 31, 1983	March 31, 1982
Crown Investments Corporation of Saskatchewan	**$20,000,000**	$ .....
Municipal Financing Corporation of Saskatchewan	**12,500,000**	13,000,000
Saskatchewan Development Fund Corporation	**1,700,000**	2,700,000
Total Short-Term Advances to Crown Corporations	**$34,200,000**	$15,700,000

4. Loans to Crown Corporations

The following loans are receivable at March 31,:

	March 31, 1983	March 31, 1982
Potash Corporation of Saskatchewan		
9.3 per cent due in 4 equal instalments, June 30, 1984 to June 30, 1987	**$20,000,000**	$20,000,000
13.0 per cent due December 31, 1988	**5,000,000**	5,000,000
13.0 per cent due December 31, 1989	**8,400,000**	8,400,000
	$33,400,000	$33,400,000
Saskatchewan Grain Car Corporation		
13.25 per cent with interest due annually together with 30 equal instalments of principal March 31, 1982 to March 31, 2011	**$51,333,340**	$53,166,670

Funds for the payment of principal and interest due on March 31, 1983 were provided by a grant to the Saskatchewan Grain Car Corporation from the Consolidated Fund appropriation of the Department of Agriculture.

4. Loans to Crown Corporations — *(Concluded)*

Saskatchewan Housing Corporation 15¾ per cent interest due semi-annually on November 30 and May 31 of each year together with principal due November 30, 1992	$ 8,000,000	$ 8,000,000
Municipal Financing Corporation of Saskatchewan 17 per cent due semi-annually on September 2 and March 2 together with 5 equal instalments of principal September 2, 1991 to September 2, 1995	$10,000,000	$10,000,000
Saskatchewan Power Corporation The loan to the Saskatchewan Power Corporation is interest free for use by eligible home-owners under the "Warm-Up Saskatchewan" Program. The recipients repay their loans monthly over a term not exceeding three years, with the Corporation repaying the loan to the Fund as it receives those repayments	$ 2,448,172	$ 3,253,716

5. Investments in Crown Corporations

The consolidated financial statements of the Crown Investments Corporation of Saskatchewan at December 31, 1982 reflect an appropriation of reinvested earnings in respect of the Potash Corporation of Saskatchewan totalling $323,336,000 which has been set aside, by resolution of the Crown Investments Corporation of Saskatchewan Board, as available only for dividend payout to the Saskatchewan Heritage Fund. The balance of the reinvested earnings of the Corporation is considered as unappropriated. The Corporation's Board may direct that dividend payments from the unappropriated reinvested earnings be made to the Saskatchewan Heritage Fund and/or the Consolidated Fund.

6. Accrued Assets and Liabilities

The Fund had at March 31 accrued accounts receivable of $29,317,943 ($43,238,311 at March 31, 1982) in regard to lease rentals, royalties, proration fees, taxes, and delayed payment charges; and accrued interest receivable on marketable securities and loans to Crown Corporations of $2,396,068 ($2,358,600 at March 31, 1982). The collection of proration fees and reserve taxes is subject to litigation proceedings as outlined in Note 8.

The Fund was indebted at March 31 in the amount of $11,107,158 ($21,386,776 at March 31, 1982) for goods and services received prior to the year end, and grants under The Oil and Gas Incentives Regulations, 1978.

These amounts are not reflected within the accounts at March 31.

7. Oil and Natural Gas Revenue

A portion of this revenue has not been finalized as taxes are paid on an instalment basis and are subject to adjustment when annual returns are submitted.

8. Litigation Matters

A. Oil Taxation

On November 23, 1977 the Supreme Court of Canada declared that the legislation under which the Province collected royalty surcharges and mineral income tax was "ultra vires" the powers of the Province. However, the Province has enacted **The Oil Well Income Tax Act** which imposed a retroactive direct tax and, at the rates set, exacts revenues approximating the amounts payable under the invalid legislation.

A number of the major oil companies considered that it would be both difficult and costly to file returns under **The Oil Well Income Tax Act** for the retroactive period. Under the Act, taxpayers were given the option of so filing, or entering into an Agreement with the Province to pay amounts approximating those that would have been payable under the previous legislation, in full settlement of the taxes for the retroactive period. To date substantially all producers have executed such Agreements.

Private litigation between two oil companies in an Alberta court has indirectly placed the constitutionality of **The Oil Well Income Tax Act** in issue. The trial court did not decide the case on this issue but stated in its judgment that **The Oil Well Income Tax Act** was unconstitutional with respect to its retroactive application only (i.e. the period 1974-1978). This pronouncement has no binding effect in Saskatchewan and on appeal to the Alberta Court of Appeal the court did not hear any argument on the constitutional point. Saskatchewan was not a party to this litigation and to date no actions have been commenced against the Province on the strength of this ruling. The appeal is still pending in the Alberta Court of Appeal.

8. Litigation Matters — *(Concluded)*

One oil producer has appealed its 1979 oil well income tax assessment on a legal point concerning the interpretation of Regulations under the Act. An administrative review by the Board of Revenue Commissioners resolved the appeal in favour of the Province. On appeal by the producer to the Court of Queen's Bench, the Board's ruling was overturned. The Province has appealed this decision to the Court of Appeal. If the issue were ultimately determined in favour of the producer, estimated tax refunds of approximately $2,000,000 would be required. If other producers in the same circumstances were successful in obtaining reassessments, further refund liability may be occasioned. It is not possible to estimate such contingent liability with accuracy, but it may extend to several million dollars.

B. Potash Taxation

Order-in-Council 1788/79 authorized the Minister of Mineral Resources to exempt potash producers from certain taxes, fees, interest, and penalties and to enter into Conditional Settlement Agreements and Potash Resource Payment Agreements. All producers have entered into these agreements with the government. The Conditional Settlement Agreements suspend certain legal actions and such actions are to be dismissed as of July 1, 1984 unless the Potash Resource Payment Agreements are terminated by an Act of the Legislature. The Potash Resource Payment Agreements became effective July 1, 1979 for a period of five years. Payments under these agreements are in lieu of the Reserve Tax, Proration Fees, and Producing Tract Tax.

If an Act of the Legislature terminates the Agreement, a producer can revive its action and, if subsequently the producer becomes entitled by law to recover from the Province any Proration Fees, Reserve Taxes, Producing Tract Taxes, or late payment charges, then the amount the producer is entitled to is prorated by the number of days between the effective date of termination and July 1, 1984, over the number of days in the five-year period or 40 per cent, whichever is the greater. However, if a producer terminates its Agreement with the Province, then the producer is not entitled to any recovery of the aforementioned payments. If a third party action results in a declaration that the Agreement is invalid, the Agreement would still remain in effect unless otherwise acknowledged by either the Province or the producer. In this case, the Agreement would be considered terminated with consequences as previously noted.

To June 30, 1979, the Province had collected approximately $334 million in Proration Fees and Potash Reserve Taxes after excluding amounts collected from mines acquired by the Potash Corporation of Saskatchewan.

C. Coal Taxation

A coal producer has appealed its 1982 freehold coal tax assessment. A hearing by the Saskatchewan Assessment Commission will resolve the matter and will be final. If the producer's appeal succeeds, the Province may be liable to remit approximately $950,160.

9. Subsequent Events

The Heritage Fund (Saskatchewan) Amendment Act, 1983

The Heritage Fund (Saskatchewan) Amendment Act, 1983 provides for the creation of an Agricultural Division and a Research and Development Division within the Saskatchewan Heritage Fund effective April 1, 1983.

The Agricultural Division will receive the assets and liabilities of the former Saskatchewan Land Bank Commission. Assets total approximately $176,000,000 and include Investment in Agricultural Land and Related Assets, Long Term Receivables, and Cash. Liabilities total approximately $189,700,000 and include a demand loan and an advance from the Consolidated Fund.

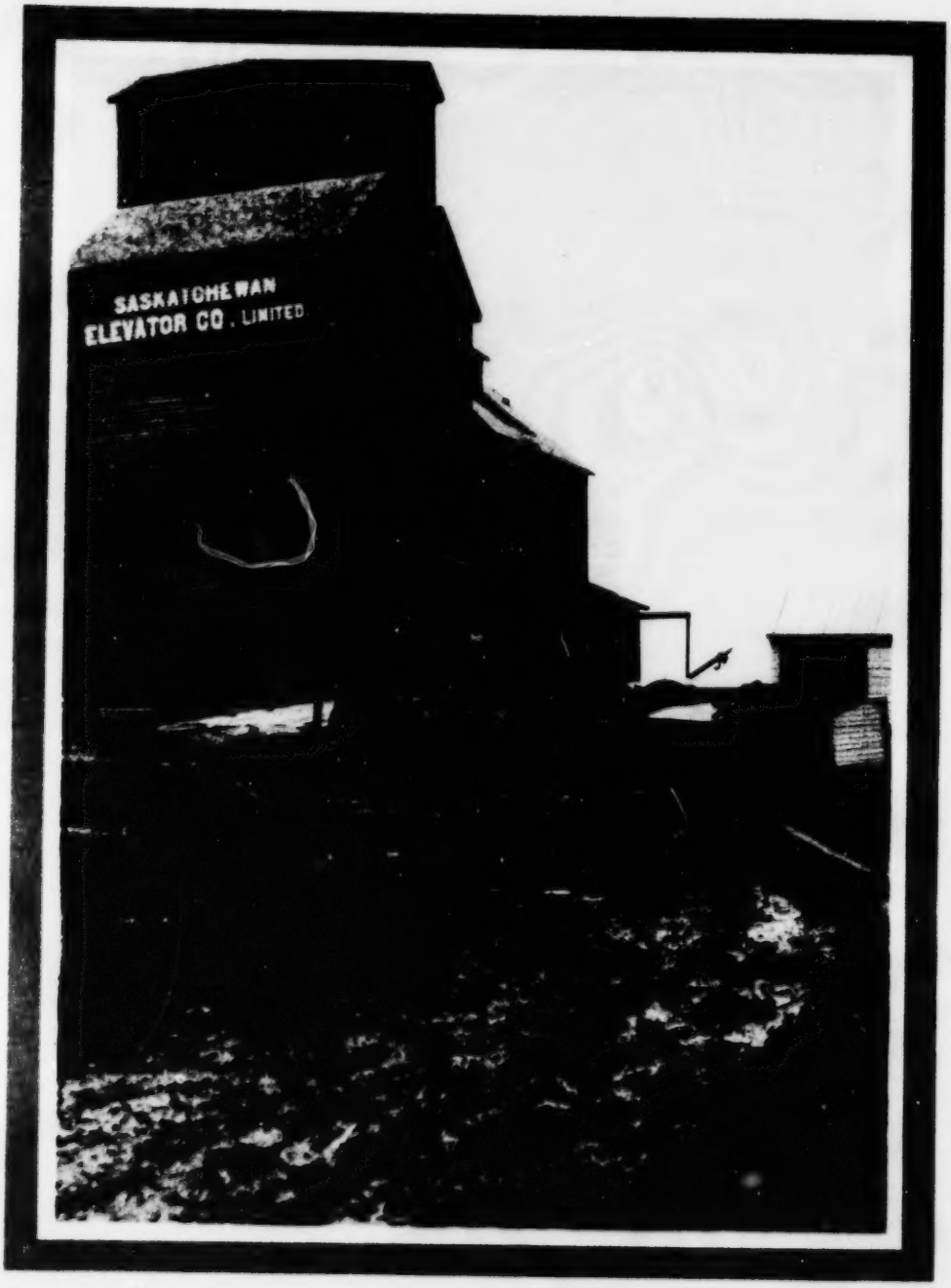
The Agricultural Division will receive monies by way of a transfer from the Resources Division, from revenue on the investment of assets of the Division, and from proceeds from the sale of land pursuant to **The Land Bank Repeal and Temporary Provisions Act** and from the sale or lease of provincial lands administered pursuant to **The Provincial Lands Act.** The Division may pay interest rebates to eligible persons pursuant to **The Farm Purchase Program Act,** make payments to the Farm Purchase Program Fund, and make loans, grants, equity investments and expenditures respecting agricultural matters.

The Research and Development Division will receive monies by way of a transfer from the Resources Division, from revenue on investment of assets of the Division, and from contributions from persons and organizations relating to research and development. The Division may make loans, grants, equity investments and other expenditures respecting scientific and technological research and development.

Loan to the Saskatchewan Grain Car Corporation

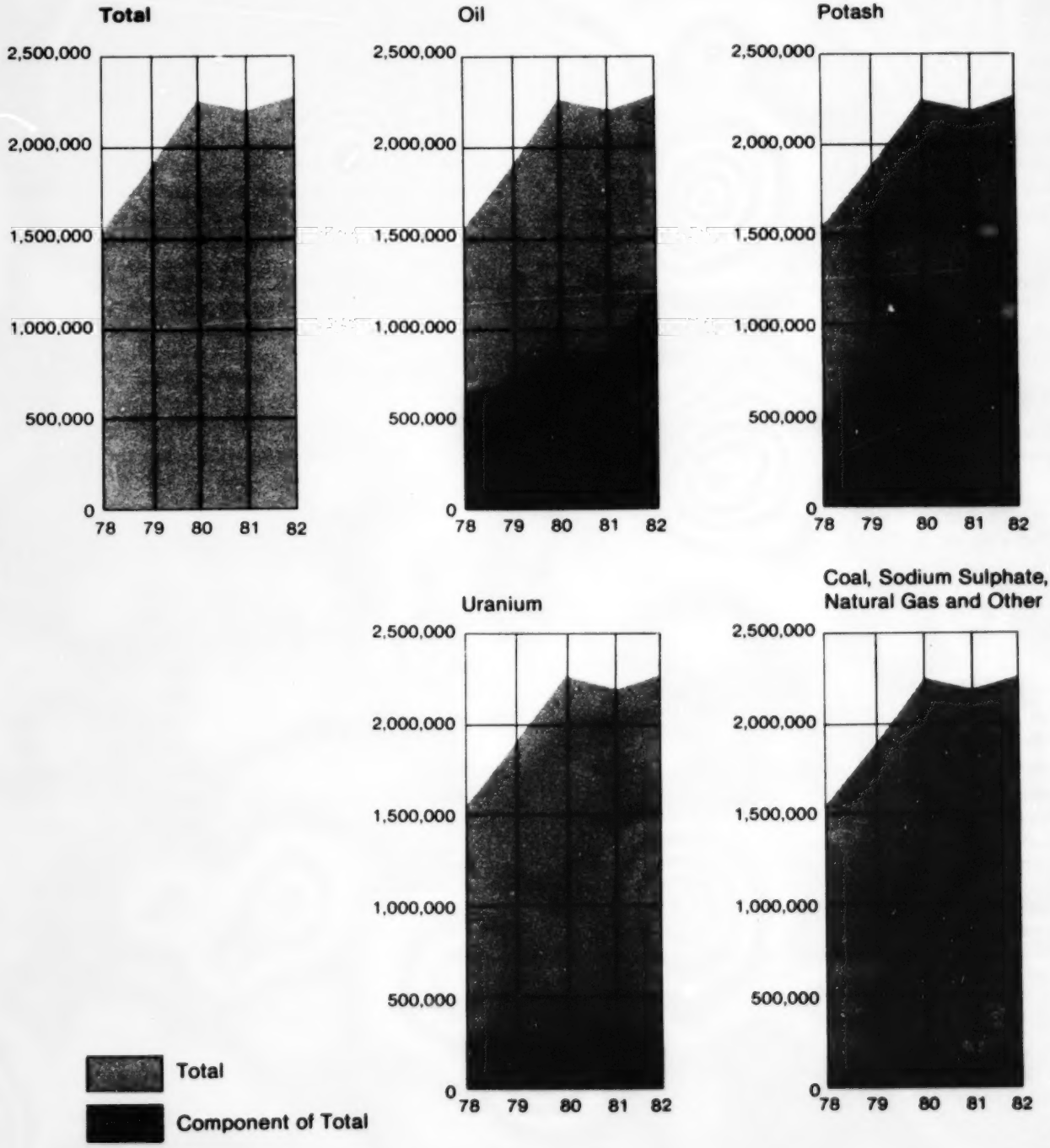
On April 1, 1983 the terms of the loan to the Saskatchewan Grain Car Corporation were changed to provide for no interest and no fixed terms for repayment with the principal due on March 31, 2011. Previously, the terms provided for interest paid annually plus equal annual instalments to repay the principal over a thirty year period ending March 31, 2011.

Historical Statistics



Value of Mineral Sales, Saskatchewan

For the Year Ended December 31
(Thousands of Dollars)



Value of Mineral Sales, Saskatchewan

For the Year Ended December 31
(Thousands of Dollars)

	1978	1979	1980	1981	1982
Coal	$ 17,705	$ 20,475	$ 29,726	$ 42,061	$ 62,449
Natural Gas	16,882	17,231	19,628	19,720	24,257
Crude Oil	689,317	726,710	862,402	821,032	1,189,388
Potash	495,718	733,346	1,009,754	995,136	642,887
Sodium Sulphate	17,441	23,144	27,345	36,388	43,638
Uranium	261,462	257,963	232,206	258,302	250,526
Other	32,008	63,876	69,909	68,153	63,617
Total Value of Mineral Sales	$1,530,533	$1,842,745	$2,250,970	$2,240,792	$2,276,722

Source: Saskatchewan Energy and Mines
Mineral Statistics Yearbook: 1982 Edition

Non-Renewable Resource Revenue

For the Fiscal Year Ended March 31
(Thousands of Dollars)

	1979	1980	1981	1982	1983
Coal	$ 842	$ 3,797	$ 5,081	$ 7,937	$ 10,988
Natural Gas	607	669	689	672	1,010
Oil	350,316	396,400	482,712	368,728	482,889
Crude Oil Export Charge	—	—	—	163,984	217,393
Potash	139,832	181,797	280,264	185,000	36,871
Sodium Sulphate	869	1,044	1,385	1,550	1,618
Uranium	5,148	14,884	15,015	29,933	24,403
Other Non-Renewable Resource Revenue	1,845	876	2,437	880	619
Total Non-Renewable Resource Revenue	$ 499,457	$ 579,467	$ 787,583	$ 758,684	$ 775,791

Allocation of Non-Renewable Resource Revenue

For the Fiscal Year Ended March 31
(Thousands of Dollars)

	1979	1980	1981	1982	1983
Consolidated Fund					
Dividend from Saskatchewan Heritage Fund	$308,000	$338,000	$447,000	$585,000	$675,000
Total Consolidated Fund	$308,000	$338,000	$447,000	$585,000	$675,000
Saskatchewan Heritage Fund					
Non-Renewable Resource Revenue	$499,457	$579,467	$787,583	$758,684	$775,791
Total Saskatchewan Heritage Fund	$499,457	$579,467	$787,583	$758,684	$775,791
Less: Dividend from Saskatchewan Heritage Fund*	$308,000	$338,000	$447,000	$585,000	$675,000
Total Non-Renewable Resource Revenue	$499,457	$579,467	$787,583	$758,684	$775,791

* To avoid double counting, the Dividend from the Saskatchewan Heritage Fund must be subtracted to arrive at the total Non-Renewable Resource Revenue.

Budgetary Revenue

For the Fiscal Year Ended March 31
(Thousands of Dollars)

	1979	1980	1981	1982	1983
Non-Renewable Resource Revenue					
Resources Division					
Coal	$ 842	$ 3,797	$ 5,081	$ 7,937	$ 10,988
Natural Gas	607	669	689	672	1,010
Oil	350,316	396,400	482,712	368,728	482,889
Crude Oil Export Charge	—	—	—	163,984	217,393
Potash	139,832	161,797	280,264	185,000	36,871
Sodium Sulphate	869	1,044	1,385	1,550	1,618
Uranium	5,146	14,884	15,015	29,933	24,403
Other Non-Renewable Resource Revenue	1,845	876	2,437	880	619
Total Non-Renewable Resource Revenue	$499,457	$579,467	$787,583	$758,684	$775,791
Investment Revenue					
Resources Division					
Dividend from Crown Investments Corporation	$ —	$ —	$ —	$ 50,000	$ 42,000
Interest	2,985	5,044	8,318	19,138	20,415
Energy Security Division					
Interest	—	—	716	4,620	3,547
Environmental Protection Division					
Interest	—	—	94	451	511
Total Investment Revenue	$ 2,985	$ 5,044	$ 9,128	$ 74,209	$ 66,473
Other Revenues					
Resources Division					
Refund of Previous Years' Expenditure	$ —	$ —	$ —	$ —	$ 59
Total Other Revenues	$ —	$ —	$ —	$ —	$ 59
Total Budgetary Revenue	$502,442	$584,511	$796,711	$832,893	$842,323

Note: Effective April 1, 1980 the Saskatchewan Heritage Fund was re-structured into three divisions: Resources Division, Energy Security Division and Environmental Protection Division. For purposes of comparison the information in the above table for the years prior to 1981 has been presented as if the three Divisions had existed in those years.

Application of Budgetary Revenue

For the Fiscal Year Ended March 31
(Thousands of Dollars)

	1979	1980	1981	1982	1983
Budgetary Expenditure					
Resources Division					
Ordinary					
Dividend to Consolidated Fund	$308,000	$338,000	$447,000	$585,000	$675,000
Compensation Payments for Oil Rights Acquired by the Crown	1,868	3,100	3,046	1,917	2,071
Refunds of Taxes, Royalties, Rentals Fees and Interest	3,673	2,000	9,000	420	497
Capital					
Provincial Development Expenditure	15,892	20,088	49,856	53,539	32,559
Energy Security Division					
Ordinary					
Grant to Federated Co-operatives Ltd. for Refinery Expansion	—	—	—	—	960
Grant to Federated Co-operatives Ltd. for Construction of a Fuel Alcohol Facility	—	—	—	—	45
Grants and Rebates for Petroleum and Natural Gas Exploration, Conservation and Development	31,989	41,927	60,490	60,200	57,820
Grants Pursuant to the Canada-Saskatchewan Heavy Oil Agreement	2,029	5,698	1,852	—	484
Payments for Projects Pursuant to the Canada-Saskatchewan Renewable Energy and Energy Conservation Demonstration Agreement	—	—	711	540	1,548
Payment for Project Pursuant to the Grasslands Oil and Gas Exploration Agreement	—	—	—	—	718
Research Grants	15	4	—	6	—
Administrative Expenses of the Canada-Saskatchewan Heavy Oil Agreement and Alternative Fuel Test Program	—	—	—	33	46
Total Budgetary Expenditure	$363,466	$410,817	$571,955	$701,655	$771,748
Amount Available for Investment From Budgetary Revenue	$138,976	$173,694	$224,756	$131,238	$ 70,575
Total Budgetary Revenue	$502,442	$584,511	$796,711	$832,893	$842,323

Note: Effective April 1, 1980 the Saskatchewan Heritage Fund was re-structured into three divisions: Resources Division, Energy Security Division and Environmental Protection Division. For purposes of comparison the information in the above table for the years prior to 1981 has been presented as if the three Divisions had existed in those years.

Source and Application of Funds

For the Fiscal Year Ended March 31
(Thousands of Dollars)

	1979	1980	1981	1982	1983
Source of Funds					
Amount Available from Budgetary Revenue	$138,976	$173,694	$224,756	$131,238	$ 70,575
Non-Budgetary Receipts	60	622	985	3,212	2,639*
Total Increase in Funds Available for Investment	$139,036	$174,316	$225,741	$134,450	$ 73,214
Application of Funds					
Investments in Crown Corporations					
Resources Division					
Crown Investments Corporation of Saskatchewan	$ —	$ —	$ —	$100,000	$ —
Potash Corporation of Saskatchewan	75,000	—	—	—	—
Saskatchewan Mining Development Corporation	40,000	78,700	50,000	50,000	—
Energy Security Division					
Saskatchewan Oil and Gas Corporation	—	—	28,800	34,700	28,000
Total Investments in Crown Corporations	$115,000	$ 78,700	$ 78,800	$184,700	$ 28,000
Loans to Crown Corporations					
Resources Division					
Potash Corporation of Saskatchewan	$ 20,000	$ 13,400	$ —	$ —	$ —
Saskatchewan Grain Car Corporation	—	—	55,000	—	—
Saskatchewan Housing Corporation	—	—	—	8,000	—
Saskatchewan Municipal Financing Corporation	—	—	—	10,000	—
Energy Security Division					
Saskatchewan Power Corporation	1,200	1,300	1,300	2,500	—
Total Loans to Crown Corporations	$ 21,200	$ 14,700	$ 56,300	$ 20,500	$ —

Source and Application of Funds *(Continued)*

Change in Current Assets

Resources Division	$ 2,836	$ 80,916	$ 67,831	$ (76,821)	**$ 41,156**
Energy Security Division: Reserve	—	—	20,716	4,620	**3,547**
Environmental Protection Division: Reserve	—	—	2,094	1,451	**511**
Total Change in Current Assets	$ 2,836	$ 80,916	$ 90,641	$ (70,750)	**$ 45,214**
Total Investments Loans and Change in Current Assets	$139,036	$174,316	$225,741	$ 134,450	**$ 73,214**

* Repayment of loans to Crown Corporations: Saskatchewan Grain Car Corporation $1,833, Saskatchewan Power Corporation $806.

Note: Effective April 1, 1980 the Saskatchewan Heritage Fund was re-structured into three divisions: Resources Division, Energy Security Division and Environmental Protection Division. For purposes of comparison the information in the above table for the years prior to 1981 has been presented as if the three Divisions had existed in those years.

Composition of Assets

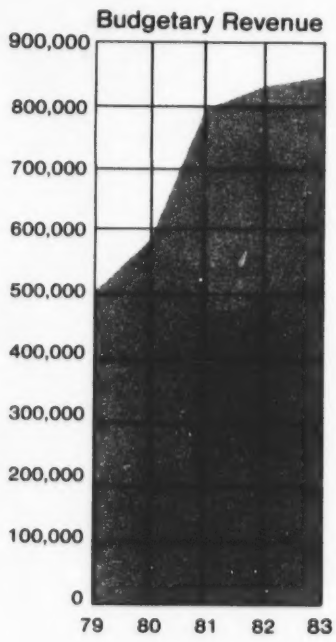
At March 31
(Thousands of Dollars)

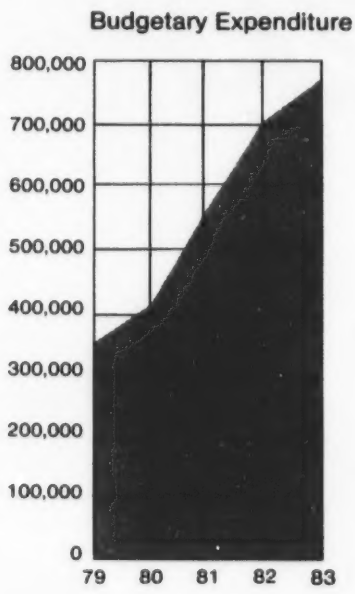
	1979	1980	1981	1982	1983
Current Assets					
Resources Division	$ 114,267	$ 195,183	$ 263,014	$ 186,194	**$ 227,349**
Energy Security Division: Reserve	—	—	20,716	25,337	**28,884**
Environmental Protection Division: Reserve	—	—	2,094	3,544	**4,056**
Total Current Assets	$ 114,267	$ 195,183	$ 285,824	$ 215,075	**$ 260,289**
Loans to Crown Corporations					
Resources Division					
Potash Corporation of Saskatchewan	$ 20,000	$ 33,400	$ 33,400	$ 33,400	**$ 33,400**
Saskatchewan Grain Car Corporation	—	—	55,000	53,166	**51,333**
Saskatchewan Housing Corporation	—	—	—	8,000	**8,000**
Saskatchewan Municipal Financing Corporation	—	—	—	10,000	**10,000**
Energy Security Division					
Saskatchewan Power Corporation	1,140	1,818	2,133	3,254	**2,448**
Total Loans to Crown Corporations	$ 21,140	$ 35,218	$ 90,533	$ 107,820	**$ 105,181**
Investments in Crown Corporations					
Resources Division					
Crown Investments Corporation of Saskatchewan	$ 9,976	$ 9,976	$ 9,976	$ 109,976	**$ 109,976**
Potash Corporation of Saskatchewan	418,554	418,554	418,554	418,554	**418,554**
Saskatchewan Mining Development Corporation	40,000	118,700	168,700	218,700	**218,700**
Energy Security Division					
Saskatchewan Oil and Gas Corporation	—	—	28,800	63,500	**91,500**
Total Investments in Crown Corporations	$ 468,530	$ 547,230	$ 626,030	$ 810,730	**$ 838,730**
Total Assets	$ 603,937	$ 777,631	$1,002,387	$1,133,625	**$1,204,200**

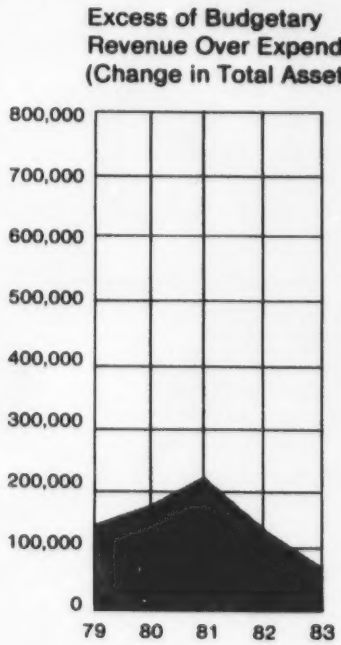
Note: Effective April 1, 1980 the Saskatchewan Heritage Fund was re-structured into three divisions: Resources Division, Energy Security Division and Environmental Protection Division. For purposes of comparison the information in the above table for the years prior to 1981 has been presented as if the three Divisions had existed in those years.

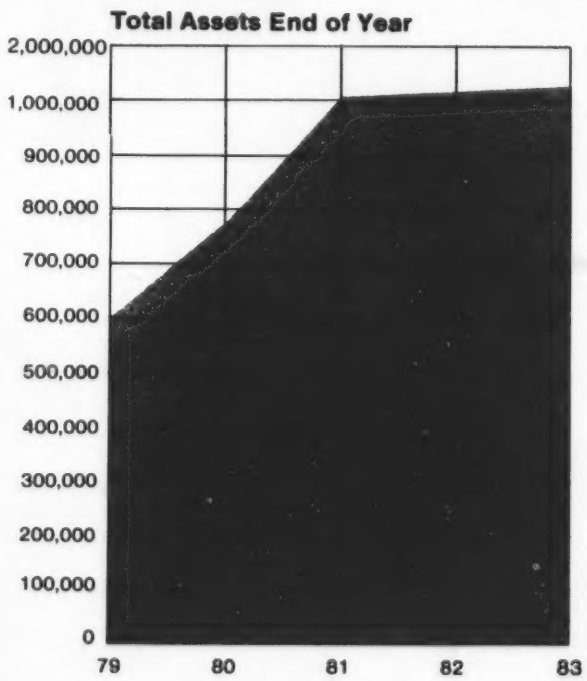
Summary of Financial Position

For the Fiscal Year Ended March 31
(Thousands of Dollars)









Summary of Financial Position

For the Fiscal Year Ended March 31
(Thousands of Dollars)

	1979	1980	1981	1982	1983
Budgetary Revenue	$ 502,442	$ 584,511	$ 796,711	$ 832,893	$ 842,323
Less: Budgetary Expenditure	363,466	410,817	571,955	701,655	771,748
Excess of Budgetary Revenue Over Budgetary Expenditure (Change in Total Assets)	$ 138,976	$ 173,694	$ 224,756	$ 131,238	$ 70,575
Plus: Total Assets Beginning of Year	429,116	603,937	777,631	1,002,387	1,133,625
Plus: Transfer of Special Investment Account Assets	35,845	—	—	—	—
Total Assets End of Year	$ 603,937	$ 777,631	$1,002,387	$1,133,625	$1,204,200